



UNIVERSITY OF MINNESOTA  
TWIN CITIES

The University of Minnesota Hospital and Clinic  
Harvard Street at East River Road  
Minneapolis, Minnesota 55455

**MEETING OF THE  
BOARD OF GOVERNORS FINANCE COMMITTEE**  
Wednesday, May 27, 1987  
12:00 P.M.\*  
8-106 University Hospital

COMMITTEE MEMBERS

Robert Nickoloff, Chair  
Carol Campbell  
Edward Ciriacy, M.D.  
Clifford Fearing  
Greg Hart  
William Krivit, M.D., Ph.D.  
Jerry Meilahn  
Barbara O'Grady  
Vic Vikmanis

A G E N D A

- |      |  |                                    |
|------|--|------------------------------------|
| I.   | Opening of Meeting, and Approval of Minutes of Finance Committee Meeting held 4/22/87 (Approval) pp. 1-3 | Mr. Robert Nickoloff               |
| II.  | April Year-to-Date Financial Statements (Information) pp. 4-12.  | Mr. Nels Larson                    |
| III. | 1987-88 Hospital Pay Plan (Information)  | Mr. Greg Hart                      |
| IV.  | PCN Update (Information)   | Mr. Greg Hart                      |
| V.   | Computer Upgrade (Endorsement) pp. 13-24.  | Mr. Al Dees<br>Mr. William Herrick |
| VI.  | Other Business   |                                    |
| VII. | Adjournment  |                                    |

\*A buffet lunch will be served at 11:30 a.m. in the Board Room.

**Minutes**  
**Meeting of the**  
**Board of Governors Finance Committee**  
**The University of Minnesota Hospital and Clinic**  
**April 22, 1987**

**MEMBERS PRESENT:** Carol Campbell  
Edward Ciriacy, M.D.  
Clifford Fearing  
Gregory Hart  
William Krivit, M.D.  
J.E. Meilahn

**MEMBERS ABSENT:** Robert Nickoloff  
Barbara O'Grady  
Vic Vikmanis

**STAFF:** Kay Fuecker  
William Herrick  
Nels Larson  
Dan Rode  
Barbara Tebbitt

**CALL TO ORDER:** The meeting of the Finance Committee was called to order by Mr. J.E. Meilahn at 12:00 P.M. in the Board Room (8-106 University Hospital).

**MINUTES:** A motion was made and passed to approve the minutes of the April 22, 1987 meeting of the Finance Committee as written.

**4/22/87 FINANCIAL STATEMENTS:** Mr. Cliff Fearing reported that inpatient admissions in March were 332 above budgeted levels, the average daily census was 422.7, and the average length of stay was 8.1 days. The increase in admission levels was primarily in the areas of Gynecology, Medicine, Pediatrics, and Surgery. Outpatient visits were 19.1% above budgeted levels.

The Hospital shows total revenues over expense of \$2,958,845 for a favorable variance of \$11,654,741. Mr. Fearing reported that patient care charges through March totaled \$175,681,516 (17.8% above budget) and reflect the higher acuity of our patients. Ancillary revenue was 21% above budget and reflected the favorable variance in both admissions and clinic visits and the utilization of ancillary services per patient being higher than anticipated. Inpatient revenue has averaged \$6,649 per admission as compared to the budgeted average of \$6,199. The average outpatient revenue is \$170 compared to the budgeted average of \$153.

Mr. Fearing reported the operating expenditures through March are 6.6% above budgeted levels, due to a continued increase in demand for patient services and patient care supplies.

Mr. Dan Rode reported that the accounts receivable in March decreased from 111 to 107 days. This decrease was primarily in the older commercial insurance, Medicare, Medical Assistance categories.

**1987-88  
OPERATING  
BUDGET:**

Mr. Cliff Fearing presented the Operating Budget for endorsement by the Committee to the full Board of Governors. The 1987-88 Budget includes overall expenditure increases of \$15.7 million or 7% and includes a 2.9% price increase and a 3.47% volume increase in patient census. Total patient charges will increase from \$234,700,000 to \$249,618,000.

The Finance Committee seconded and passed a motion to endorse the 1987-88 Operating Budget as presented, including a 2.9% increase in patient charge rates.

**1987-88  
CAPITAL BUDGET:**

Mr. Greg Hart reported the 2.9% includes the revenues necessary to generate the income for the purchase of recurring capital equipment and remodeling costs. The Mayo renovation plans are scheduled to be presented to the Finance Committee and the Board in the near future for approval. These items are not included in the Capital Budget for approval at this meeting.

The Finance Committee seconded and passed a motion to endorse the Capital budget.

**MAINFRAME  
COMPUTER  
REPLACEMENT:**

Mr. Bill Herrick reviewed the utilization levels and performance status of the current mainframe computer system. Analysis completed by computer technical staff from UMHC and from Joseph & Cogan Associates, specialists in computer capacity planning, indicates that the present system does not have the speed, reliability, or capacity to adequately meet the hospital's data processing requirements for the next 3 years.

Mr. Herrick noted the following recommendations: 1) replace the production A9F processor with a Burroughs (UNISYS) A15F processor; 2) replace existing disk drive units with new state-of-the-art thin film disk drive units; 3) upgrade data communication system by taking advantage of the new network processor (CP2000) architecture available with the A15 series.

The cost is estimated at \$4,314,828, but does not include the return of the A9 (\$400,000) and the disk drives (\$150,000-\$180,000) to be sold.

Mr. Hart reported that this item will be brought back to the Finance Committee for its endorsement and the Board of Governors for approval in May.

**THIRD QUARTER,  
1986-87 BAD  
DEBTS:**

Mr. Cliff Fearing reviewed the bad debts for the third quarter totalling \$784,203.11, representing 1,413 accounts. Total bad debts to-date for the fiscal year amount to \$1,794,723.04, or 1.02% of gross charges, compared to a budgeted level of bad debts of 1.33% (\$1,978,538.00).

The Finance Committee passed a motion to charge off the Third Quarter, 1986-87 Bad Debts as presented.

**PRIMARY CARE**

Mr. Greg Hart reported that PCN and its investors are working on plans for future actions. PCN is attempting to become a choice of the State of Minnesota employees and working on expanding its marketing to areas of the State in which it is not currently involved.

The Whiteheads have indicated they would be willing to continue to support the venture if necessary if other support in addition to their own could be found.

Mr. Hart also reported that MAPTH voted to continue the insurance for the residents with Blue Cross/Blue Shield through December rather than change to PCN, and then decide whether to change carriers or not.

**ADJOURNMENT:**

There being no further business, the meeting was adjourned at 1:35 P.M.

Respectfully submitted,



Kay F. Fuecker  
Recording Secretary



UNIVERSITY OF MINNESOTA  
TWIN CITIES

The University of Minnesota Hospital and Clinic  
Harvard Street at East River Road  
Minneapolis, Minnesota 55455

May 27, 1987

**TO:** Board of Governors Finance Committee  
**FROM:** Clifford P. Fearing  
Senior Associate Director  
**SUBJECT:** Report of Operations for the Period  
July 1, 1986 through April 30, 1987

The Hospital's operations through the month of April continued to reflect both inpatient admissions and outpatient visit activity that were above budgeted levels. In addition, we continued to experience ancillary service utilization that was higher than anticipated. To highlight our position:

**Inpatient Census:** For the month of April, inpatient admissions totaled 1,635 or 225 above budgeted admissions of 1,410. Our overall average length of stay for the month was 7.8 days. Patient days for April totaled 12,830 and were 1,710 days above budget. The increase in admission levels was primarily in the areas of Medicine, Pediatrics, and Clinical Research.

To recap our year-to-date inpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Admissions	14,490	14,096	15,805	1,709	12.1
Avg.Lnth.of Stay	8.3	8.3	8.3	0	0.0
Patient Days	119,291	116,246	128,639	12,393	10.7
Percent Occupancy	66.3	63.7	72.1	8.4	13.2
Avg.Daily Census	392.4	382.4	423.2	40.8	10.7

**Outpatient Census:** Clinic visits for the month of April totaled 22,257 or 2,057 (10.2%) above budgeted visits of 20,200. The increase in activity was experienced in nearly all clinic areas with the largest increases occurring in Medicine, Dermatology, Surgery, and Urology.

Report of Operations - April, 1987

Page two

To recap our year-to-date outpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Clinic Visits	184,183	182,825	205,204	22,379	12.2
CUHCC Visits	34,593	31,333	39,721	8,388	26.8
HHA Visits	7,601	12,394	7,913	-4,481	-36.2

**Financial Operations:** The Hospital's Statement of Operations shows total revenues over expense of \$ 4,243,049, a favorable variance of \$ 13,693,107.

Patient care charges through April totaled \$197,075,120 and were 18.9% above budget. Routine revenue was 11.3% above budget and reflected our favorable patient day variance. Ancillary revenue was approximately \$25,598,200 (22.2%) above budget and reflected (1) the favorable variance in both admissions and clinic visits; and (2) the utilization of ancillary services per patient being higher than anticipated. Inpatient ancillary revenue has averaged \$6,717 per admission compared to the budgeted average of \$6,199 per admission. Outpatient revenue per clinic visit has averaged \$169 compared to the budgeted average of \$153.

Operating expenditures through April totaled \$185,935,300 and were approximately \$ 12,197,700 (7.0%) above budgeted levels. The overall unfavorable variance continued to relate to the increase in demand for patient services and was seen primarily in increased personnel costs (salaries and fringe benefits) and patient care supplies (drugs, blood, medical supplies).

**Accounts Receivable:** The balance in patient accounts receivable as of April 30, 1987 totaled \$72,534,245 and represented 100.8 days of revenue outstanding. The overall decrease in our patient receivables in April of 6.2 days occurred primarily in the Medicare, Medical Assistance categories, and in older accounts in general.

**Conclusion:** The Hospital's overall operating position continues to be positive and above budgeted levels. Both inpatient and outpatient census levels remain above budget. We continue to monitor our demand for service closely and make those operating changes that are necessary and appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY  
FOR THE PERIOD JULY 1, 1986 TO APRIL 30, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Patient Care Charges	\$165,754,224	\$197,075,120	\$31,320,896	18.9%
Deductions from Charges	-25,804,770	-30,742,287	-4,937,517	-19.1%
Other Operating Revenue	4,436,255	4,561,316	125,061	2.8%
Total Operating Revenue	144,385,709	170,894,149	26,508,440	18.4%
Total Expenditures	-173,737,611	-185,935,277	-12,197,666	-7.0%
Net Operating Revenue	-29,351,902	-15,041,128	14,310,774	0.0%
Non-Operating Revenue and Expenses	19,901,844	19,284,177	-617,667	-3.1%
Revenue Over Expense	\$ -9,450,058	\$ 4,243,049	\$13,693,107	(1)
	=====	=====	=====	

(1) Variance equals 8.3 % of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Admissions	14,096	15,805	1,709	12.1%
Patient Days	116,246	128,639	12,393	10.7%
Average Daily Census	382.4	423.2	40.8	10.7%
Average Length of Stay	8.3	8.3	0.0	0.0%
Percentage Occupancy	63.7%	72.1%	8.4%	13.2%
Outpatient Clinic Visits	182,825	205,204	22,379	12.2%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO APRIL 30, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$165,754,224	\$197,075,120	\$31,320,896	18.9%
Deductions from Charges	25,804,770	30,742,287	4,937,517	19.1%
Other Operating Revenue	4,436,255	4,561,316	125,061	2.8%
<b>Total Revenue from Operations</b>	<b>\$144,385,709</b>	<b>\$170,894,149</b>	<b>\$26,508,440</b>	<b>18.4%</b>
<b>Expenditures</b>				
Salaries	\$73,315,427	\$79,762,086	\$6,446,659	8.8%
Fringe Benefits	14,270,155	15,178,405	908,250	6.4
Contract Compensation	7,307,830	7,565,426	257,596	3.5
Medical Supplies, Drugs, Blood	24,876,294	28,878,436	4,002,142	16.1
Campus Administration Expense	5,182,572	5,182,573	1	
Depreciation and Amortization	11,746,395	13,638,595	1,892,200	16.1
General Supplies & Expense	37,038,938	35,729,756	-1,309,182	-3.5
<b>Total Expenditures</b>	<b>\$173,737,611</b>	<b>\$185,935,277</b>	<b>\$12,197,666</b>	<b>7.0%</b>
<b>Net Revenue from Operations</b>	<b>\$-29,351,902</b>	<b>\$-15,041,128</b>	<b>\$14,310,774</b>	
<b>Non-Operating Revenues and Expenses</b>				
Appropriations	\$11,856,734	\$12,104,471	\$247,737	2.1%
Interest Income on Reserves	6,014,060	5,239,820	-774,240	-12.9
Shared Services	303,418	413,189	66,764	24.4
Investment Income on Trustee Held Assets	1,727,632	1,526,697	-200,935	-11.6
<b>Total Non-Operating Revenues and Expenses</b>	<b>\$19,901,844</b>	<b>\$19,284,177</b>	<b>-617,667</b>	<b>-3.1%</b>
<b>Revenue Over / -Under Expenses</b>	<b>\$-9,450,058</b>	<b>\$4,243,049</b>	<b>\$13,693,107</b>	<b>(1)</b>

(1) Variance equals 8.3% of total budgeted revenue.



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO APRIL 30, 1987

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	<b>Patient Care Charges</b>				
\$60,169,700	Routine	\$50,431,180	\$56,153,874	\$5,722,694	11.3%
139,094,000	Ancillary	115,323,044	140,921,246	25,598,202	22.2
<u>\$199,263,700</u>	<b>Gross Charges</b>	<u>\$165,754,224</u>	<u>\$197,075,120</u>	<u>\$31,320,896</u>	<u>18.9%</u>
	<b>Deductions from Charges</b>				
\$16,821,600	Third Party Contractual Adjustments	\$13,977,038	\$16,098,642	\$2,121,604	15.2%
8,124,800	Billing Adjustments & Employee Benefits	6,761,198	7,598,904	837,706	12.4
420,000	Charitable Care	349,371	577,788	228,417	65.4
3,026,700	Other Contractual Adjustments	2,517,711	3,851,805	1,334,094	53.0
2,644,100	Provisions for Uncollectables	2,199,452	2,615,148	415,696	18.9
<u>\$31,037,200</u>	<b>Total Deductions</b>	<u>\$25,804,770</u>	<u>\$30,742,287</u>	<u>\$4,937,517</u>	<u>19.1%</u>
	<b>Other Operating Revenue</b>				
\$1,165,100	Food Services	\$970,388	\$1,152,212	\$181,824	18.7%
452,400	Parking Services	361,322	134,351	-226,971	-62.8%
99,900	Department Non-Patient	83,207	110,364	27,157	32.6
1,023,100	CUHCC Grants	852,112	823,576	-28,536	-3.3
1,486,100	Reference Lab Income	1,237,739	1,221,179	-16,560	-1.3
1,119,800	Pro Fees - Net Revenue	931,487	1,091,671	160,184	17.2
0	Donations to Operations from Restricted Funds	0	27,963	27,963	
<u>\$5,346,400</u>	<b>Total Other Revenue</b>	<u>\$4,436,255</u>	<u>\$4,561,316</u>	<u>\$125,061</u>	<u>2.8%</u>
<u>\$173,572,900</u>	<b>Total Revenue from Operations</b>	<u>\$144,385,709</u>	<u>\$170,894,149</u>	<u>\$26,508,440</u>	<u>18.4%</u>
	<b>Expenditures</b>				
\$87,879,400	Salaries	\$73,315,427	\$79,762,086	\$6,446,659	8.8%
17,115,800	Fringe Benefits	14,270,155	15,178,405	908,250	6.4
1,875,700	Academic Contracts	1,563,080	1,556,822	-6,258	-0.4
4,685,500	Resident Contracts	3,904,580	3,904,580	0	0.0
2,208,200	Physician Compensation	1,840,170	2,104,024	263,854	14.3
<u>\$113,764,600</u>	<b>Total Salary, F.B. &amp; Fees</b>	<u>\$94,893,412</u>	<u>\$102,505,917</u>	<u>\$7,612,505</u>	<u>8.0%</u>
2,079,600	Laundry & Linen	1,736,353	1,714,907	-21,446	-1.2%
1,392,200	Raw Food	1,163,075	1,349,677	186,602	16.0
13,975,900	Drugs	11,591,889	13,000,735	1,408,846	12.2
4,880,400	Blood & Blood Derivatives	4,047,903	4,694,496	646,593	16.0
11,136,100	Medical Supplies	9,236,502	11,183,205	1,946,703	21.1
3,055,900	Utilities	2,635,521	3,654,111	1,018,590	38.6
2,832,400	Insurance	2,193,654	1,948,580	-245,074	-11.2
2,335,200	Rental	1,958,000	2,014,894	56,894	2.9
3,349,300	Maintenance & Repair	2,789,554	2,926,505	136,951	4.9
1,312,800	Communications	1,093,399	1,207,645	114,246	10.4
0	Net Loss on Disposal of Assets	0	87,970	87,970	
6,222,500	Campus Administration Expense	5,182,572	5,182,573		
14,103,400	Depreciation and Amortization	11,746,395	13,638,595	1,892,200	16.1
14,001,200	Interest	11,661,275	8,274,259	-3,387,016	-29.0
14,177,500	General Supplies & Expense	11,808,107	12,551,208	743,101	6.3
<u>\$208,619,000</u>	<b>Total Expenditures</b>	<u>\$173,737,611</u>	<u>\$185,935,277</u>	<u>\$12,197,666</u>	<u>7.0%</u>
<u>\$-35,046,100</u>	<b>Net Revenue from Operations</b>	<u>\$-29,351,902</u>	<u>\$-15,041,128</u>	<u>\$14,310,774</u>	
	<b>Non-Operating Revenue and Expenses</b>				
\$13,638,900	Appropriations & Support	\$11,359,519	\$11,543,673	\$184,154	1.6%
511,500	Accrued Interest on Appropriation	497,215	560,798	63,583	12.8
7,187,600	Interest Income on Reserves	6,014,060	5,239,820	-774,240	-12.9
364,300	Shared Services	303,418	413,189	109,771	36.2
2,074,300	Investment Income Held by Trustee	1,727,632	1,526,697	-200,935	-11.6
<u>\$23,776,600</u>	<b>Total Non-Operating Revenue and Expenses</b>	<u>\$19,901,844</u>	<u>\$19,284,177</u>	<u>\$-617,667</u>	<u>-3.1%</u>
<u>\$-11,269,500</u>	<b>Revenue Over/-Under Expense</b>	<u>\$-9,450,058</u>	<u>\$4,243,049</u>	<u>\$13,693,107</u>	

(1) Variance equals 8.3% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1986 TO APRIL 30, 1987

Source of Funds

Beginning Operating Cash Balance		\$9,475
Net Income from Operations	-15,041,128	
Non-Operating Revenue	19,284,177	
Excess of Revenue over Expense		4,243,049
Items not Requiring the Outlay of Cash:		
Depreciation		13,638,595
University Support: G & A		5,182,573
University Support: KE Utilities		148,024
Decrease in Other Receivables		739,563
Decrease in Prepaid Expenses		734,560
Deferred Third Party Reimbursement		538,749
Renewal Project Interest Expense		7,419,452
Increase in Accrued Expenses		767,136
Miscellaneous Sources		1,502
Total Funds Provided from Operations		\$33,422,678

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$4,703,482	
Decrease in Capital Encumbrances	315,744	
Total Transfers to Plant from Operations		\$5,019,226
Increase in Accounts Receivable		9,794,742
Decrease in Inventories		198,190
Third Party Liabilities Transfer		1,937,983
Investment Income - Trustee Held Assets		1,526,697
Transfer to Reserves - Bond Retirement		2,111,668
Transfer to Reserves - Bond Interest Payable		6,349,460

Total Funds Applied \$26,937,966

Operating Cash Made Available from Operations \$6,484,712

- (1) Total Operating Cash Available of \$6,484,712; plus Transfers to Plant of \$5,019,226; plus Transfers to Reserves for debt retirement and interest payable of \$8,461,128 equals Cash Generated from Operations of \$19,965,066.

Current Cash Summary

Operating Cash	\$6,484,712
Reserve Cash for Liability to Third Party Payors	12,079,969
Unrealized Appropriation Cash	2,316,327
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Interest Payment	2,335,792
	25,716,800
Less Interest Income on Reserves	-5,800,618
Total Current Cash	\$19,916,182

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

APRIL 30, 1987 AND JUNE 30, 1986

ASSETS

	4/30/87	6/30/86
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<b>CURRENT ASSETS</b>		
Operating Cash	\$684,094	\$9,475
Reserve Cash- Third Party Payable	12,079,969	10,141,986
Unrealized Appropriation Cash	2,316,327	0
Reserve Cash- Short Term Debt	2,500,000	2,500,000
Reserve Cash-Bond Interest Payable	2,335,792	0
Accounts Receivable		
Patient Receivables	72,534,245	55,896,815
Other Receivables	1,133,815	1,813,378
	-----	-----
	73,668,060	57,710,193
Less Allowances for Losses in Collection	-5,365,263	-4,710,000
Less Allowances for Discounts to Third Party Payors	-15,809,616	-9,622,191
	-----	-----
	52,493,181	43,378,002
Trustee Held Assets	198,677	6,549,469
Inventories of Drugs & Supplies	5,006,826	4,670,632
Prepaid Expenses	302,830	1,037,390
Silver Flake	0	138,004
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<b>TOTAL CURRENT ASSETS</b>	<b>\$77,917,696</b>	<b>\$68,424,958</b>

BOARD DESIGNATED ASSETS:

Board Designated Assets Available for Assignment		
Cash & Investments	\$56,739,578	\$60,064,655
Accrued Interest	1,472,798	749,059
	-----	-----
	58,212,376	60,813,714
Cash & Investments Assigned to Construction Projects	8,349,260	5,059,360
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<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>\$66,561,636</b>	<b>\$65,873,074</b>

DEFERRED THIRD PARTY REIMBURSEMENT \$10,291,961 \$10,890,571

OTHER ASSETS 591,161 591,161

LAND, BUILDINGS & EQUIPMENT

Land, Buildings & Improvements	\$176,093,830	\$174,543,682
Equipment	69,478,541	64,418,269
	-----	-----
	245,572,371	238,961,951
Less Accumulated Depreciation	-67,076,772	-55,384,931
	-----	-----
	178,495,599	183,577,020
Construction in Progress	9,736,390	7,458,010
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<b>TOTAL LAND, BUILDINGS &amp; EQUIPMENT</b>	<b>\$188,231,989</b>	<b>\$191,035,030</b>

TRUSTEE HELD ASSETS \$51,456,352 \$50,143,723

DEFERRED DEBT EXPENSE \$2,050,669 \$2,187,659

\$397,101,464 \$389,146,176  
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RESTRICTED ASSETS

Cash and Investments \$4,764,342 \$4,243,247  
\*\*\*\*\*

LIABILITIES AND FUND BALANCES

	4/30/87	6/30/86
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<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$2,235,572	\$3,969,645
Payable to Third Party Contr. Payors	12,079,969	10,141,986
Salaries, Wages and Payroll Taxes	5,396,556	5,405,654
Accrued Vacation	6,657,357	5,957,248
Insurance Premiums Payable	208,736	0
Accrued Professional Fees and Physician Compensation	1,745,142	2,468,184
Contracts Payable	541,175	2,312,557
Interest Payable	2,385,361	2,407,435
Current Portion of Long-Term Debt	3,762,617	6,155,057
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<b>TOTAL CURRENT LIABILITIES</b>	<b>\$35,012,485</b>	<b>\$38,817,766</b>

LONG-TERM DEBT, LESS CURRENT PORTION \$185,617,635 \$185,747,039

UNRESTRICTED FUND BALANCE \$176,471,344 \$164,581,371  
-----

\$397,101,464 \$389,146,176  
\*\*\*\*\*

RESTRICTED FUND BALANCES

Fund Balances  
Endowment Funds \$1,809,268 \$1,656,445  
Gift Funds 2,955,074 2,586,802  
-----  
\$4,764,342 \$4,243,247  
\*\*\*\*\*

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE PERIOD JULY 1, 1986 TO APRIL 30, 1987

	OPERATING FUND	BOARD DESIGNATED FUND	PLANT FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>				
Beginning Balance	\$30,531,875	\$60,813,714	\$73,235,782	\$164,581,371
Net Income				
Excess of Revenue over Expense	8,275,548			
Interest Income on Reserves		5,239,820		
Accrued Interest on Appropriations		560,798		
Depreciation Expense			-13,638,595	
Loss on Disposal of Assets			-87,970	
Interest Expense			2,366,751	
Interest Income on Trustee Held Fund			1,526,697	
Total Income				4,243,049
<b>Less Expense</b>				
Unrealized Appropriation Revenue	2,316,327			2,316,327
University Support: G & A	5,182,573			5,182,573
K/E Utilities	148,024			148,024
<b>Transfers Between Funds</b>				
Major Building Projects- Hospital Only	-37,896	-1,888,345	1,926,241	
Capital Expenditures	-4,604,563	-311,452	4,916,015	
Capital Encumbrance Change	-315,744		315,744	
Loan To Ortho Surgery	60,000	-630,000	570,000	
IV Pump Leasing	-36,000		36,000	
Major Equipment Purchases	-98,191	-928,041	1,026,232	
CT Scanner	-858,575	858,575		
Transfer to Trustee- Interest Payment	9,398,354	-9,158,029	-240,325	
Transfer to Trustee- Principal Payment		-2,470,000	2,470,000	
Transfer to Reserves- Debt Sinking Fund	-2,111,668	2,111,668		
Transfer to Reserves- Bond Interest	-4,013,668	4,013,668		
Ending Balance	\$43,836,396	\$58,212,376	\$74,422,572	\$176,471,344

RESTRICTED FUNDS	Gift	Endowment	Total
Beginning Balance	\$2,586,802	\$1,729,398	\$4,316,200
Income	368,272	79,870	448,142
Ending Balance	\$2,955,074	\$1,809,268	\$4,764,342

ACCOUNTS RECEIVABLE HIGHLIGHTS

APRIL 30, 1987

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/87	% Change	3/31/87 Days
Total	\$72,402,921 <sup>a</sup>	\$(1,272,062)	(1.76)%	\$16,638,752	22.98%	100.83
Inhouse	10,870,206	139,930	1.29%	3,416,724	31.43%	15.14
DSNFB <sup>b</sup>	10,796,598	(932,840)	(8.56)%	1,187,650	11.00%	15.04
	2,759,350					- in four day hold
	5,653,051					- in medical records hold
	1,707,686					- outpatient billing hold
	497,798					- misc. billing hold
Collections	5,260,845	200,996	3.82%	1,086,674	20.66%	7.33
Follow-up	5,081,062	270,892	5.33%	(193,287)	(3.80)%	7.07
Net DAR	40,394,210	(960,040)	(2.38)%	11,140,991	27.58%	56.25

- a. These figures are gross amounts or days and do not reflect contractual allowances or discounts.  
(ie. Net DAR after adjustment would be approximately \$33,100,00 or 48.07 days)
- b. Discharged Not Final-Billed.

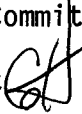
Significant Changes

- Minute increase in inhouse accounts due to the cut off day did not disrupt the substantial decrease in the Discharges Not Final-Billed category.
- Increases in the net DAR reflect a considerable increase in transplant activity of approximately \$1.9M, GAMC \$315T, CHAMPUS \$129T, special audit accounts \$245T and V.A. heart procedure and lithotripter procedures \$74T.
- Decreases were significant again in Industrial Compensation \$(95)T, Regular Medicare \$(1.1)M, Medical Assistance \$(389)T, Out-of State Medicaid \$(800)T, the Indian Health Service \$(174)T and Commercial Insurance \$(174)T.
- The increase in follow-up and collection continues to reflect our activity with accounts after third party payment but our 89.56% follow-up collection in the month is very favorable.



UNIVERSITY OF MINNESOTA  
TWIN CITIES

The University of Minnesota Hospital and Clinic  
Harvard Street at East River Road  
Minneapolis, Minnesota 55455

TO: Finance Committee Members  
FROM: Greg Hart   
DATE: May 19, 1987  
SUBJECT: Mainframe Computer Upgrade

Attached is the material for the mainframe computer upgrade which we reviewed last month. This proposal was reviewed by the Planning and Development Committee during its April meeting and endorsed during its May 15 meeting. The proposal was also presented briefly to the full Board in April. For your information, a page summarizing financing options has also been appended.

We recommend and request your endorsement of this project at your May meeting, after which the endorsement of the Board of Governors will also be requested.

We will be happy to answer any questions you may have during the meeting. Thank you.

AD

Attachment

## BURROUGHS PRODUCTION MAINFRAME REPLACEMENT

### INTRODUCTION

The University of Minnesota Hospital and Clinic (UMHC) has been developing its computer support system over the past seventeen years. Every four to five years the data processing needs of the organization have been extensively reviewed, and a strategic plan for computer support has been developed and approved.

The current strategic plan was prepared in 1984 with assistance from Ernst & Whinney healthcare consultant staff. In accord with the plan, mainframe computer capacity was expanded in January, 1985. Our staff has been proceeding with implementation of new applications and replacement or upgrading of existing applications.

UMHC's current computer network is displayed on Attachment A. The mainframe systems include two Burroughs A9F processors and a large disk storage system. One of the processors and its related disk system are designated as the "production" system. Six other computer systems, 50 micro computers, and 475 on-line devices (terminals and printers) are currently connected to it. The second processor, originally designed to be used for software development and testing, is now also used to do a significant amount of "production" batch processing.

Use of computer support to assist in delivery of care, to provide rapid and accurate information communication, and to support comprehensive data analysis in order to position the institution appropriately in the evolving marketplace has significantly exceeded the 1984 projections. The need to expand the capacity of the production system, as forecast in the 1984 strategic plan, has become reality.

### CURRENT "PRODUCTION SYSTEM" UTILIZATION AND PERFORMANCE

#### A. Processor Utilization

When the production processor was installed in 1985, overall utilization was 50-55%. Currently, utilization is in excess of 70% of capacity with peaks ranging from 80 to 100% (see Attachment B).

When processor utilization exceeds 65-70%, performance of any computer system begins to degrade.

#### B. Batch Processing Time

Batch processing work should be completed between midnight and 7 a.m. daily -- the hours during which the on-line workload demand is minimal. The present production processor and related disk system do not have the capacity or speed to complete the current volume of batch work during these hours. Consequently, those batch applications which do not require direct access to the production data base have been shifted to the development/testing processor raising its utilization to over 90% during day-time hours (see Attachment C).

Even with the transfer of batch work, the daily cycles remaining on the production system are frequently not completed by 7 a.m. Therefore, they must be completed during peak periods of processor utilization and compete with on-line transactions from the nursing units and clinics.

#### C. On-line Response Time

The primary computer industry measurement for this aspect of performance is the average response time for 90% of transactions occurring each hour. The current UMHC hourly averages are equal to or greater than 4 seconds for all 24 hours of the day and are equal to or exceed 5 seconds for at least 14 hours of each day with peaks of 7-9 seconds during the heaviest hours.

#### D. Disk Storage System

The disk units currently being utilized to support our Burroughs configuration were originally installed in 1981. These disk units have become the cause for more than 90% of our unscheduled downtime. Recent performance records indicate an average of 8-12 disk failures per month. These failures account for 350-400 hours of restricted disk access and 3-1/2 to 4 hours of complete system downtime. This rate of failure is a clear indication that the disk system is worn out and must be replaced.

### RECOMMENDATIONS

In May, 1986, the Information Services Department initiated a detailed analysis of the hardware resources and performance. The project focused on three components: mainframe processing, disk storage, and data communication. The following service goals were developed and approved by the Hospital's administrative staff:

- Reduce or eliminate downtime caused by preventive maintenance, power failures, and hardware failures.
- Reduce length of downtime periods caused by software problems and recovery processing time required after system failure.
- Provide 3 second average response time for 90% of on-line transactions during all 24 hours of each day.
- Provide capability for access to multiple computers by users from one terminal.

Alternatives for each of the three components (processor, disk, and data communications) were developed based on the service goals. Then different combinations of the component alternatives were evaluated to identify the best total solution. Consulting assistance for evaluation of current system performance and for computer simulation of various alternative combinations was obtained from Joseph & Cogan Associates, specialists in computer capacity planning. Based on the analysis and simulations, the following recommendations are made:



1. **Replace the production A9F processor with a Burroughs (UNISYS) A15F processor.**

Rationale:

- Will provide the additional speed and capacity required to eliminate batch processing during day-time hours.
- Will provide processor capacity necessary to reduce 90% response time levels to 3 seconds or less.
- Will provide adequate capacity to handle projected workload for the next 3-5 years.

2. **Replace existing disk drive units with new state-of-the-art thin film disk drive units.**

Rationale:

- Will eliminate frequent down-times due to disk system failures.
- Will enable faster and more effective data communication between the disk system and the processor, therefore, decreasing batch processing time and reducing on-line response time.
- Will reduce data base backup and recovery time.

3. **Upgrade data communication system by taking advantage of the new network processor (CP2000) architecture available with the A15 series.**

Rationale:

- Will enable increase in on-line data transmission speed required to reduce 90% response time average to 3 seconds or less.
- Will provide an architecture which will facilitate access to multiple computers from a single terminal.

**ESTIMATED COST**

A15F Computer and Operating Software	\$3,188,244
Disk System Replacement	921,314
Communications System Upgrade	<u>205,270</u>
TOTAL	\$4,314,828

## COMPATIBILITY WITH 3-5 YEAR PLANS

The major new computer application planned during the next 3 years is the acquisition and installation of a Patient Care Information/Order Entry System (PCI/OE). Installation of this system will also require replacement of the Admissions/Discharge/Transfer System and have a direct influence on the replacement of the Patient Accounting System. The hardware replacement recommendations included in this proposal are intended to meet the immediate needs for additional processing resources and to place UMHC in a position which will allow the Patient Care Information/Order Entry System to be installed on either Burroughs or IBM hardware without major disruption to computer system operation. Each of the hardware alternatives have been reviewed for future impact.

### A. Alternative I

Burroughs Based Patient Care Information/Order Entry System Selected. (Burroughs based Patient Accounting and A/D/T systems would also then be selected.)

1. Proposed new hardware would continue to be the "production" system.
2. "Development/Testing" A9F processor would have to be replaced with a second A15 processor and paired with the recommended A15F.
3. Use of the IBM system, currently being installed, would continue to grow slowly with the addition, primarily, of new financial applications.

See Attachment D for graphic display of projected systems utilization.

### B. Alternative II

IBM Based Patient Care Information/Order Entry System Selected. (IBM based Patient Accounting and A/D/T system would also be selected.)

1. IBM system currently being installed would have to be upgraded to a 30XX system in 2-3 years, prior to actual implementation of PCI/OE system.

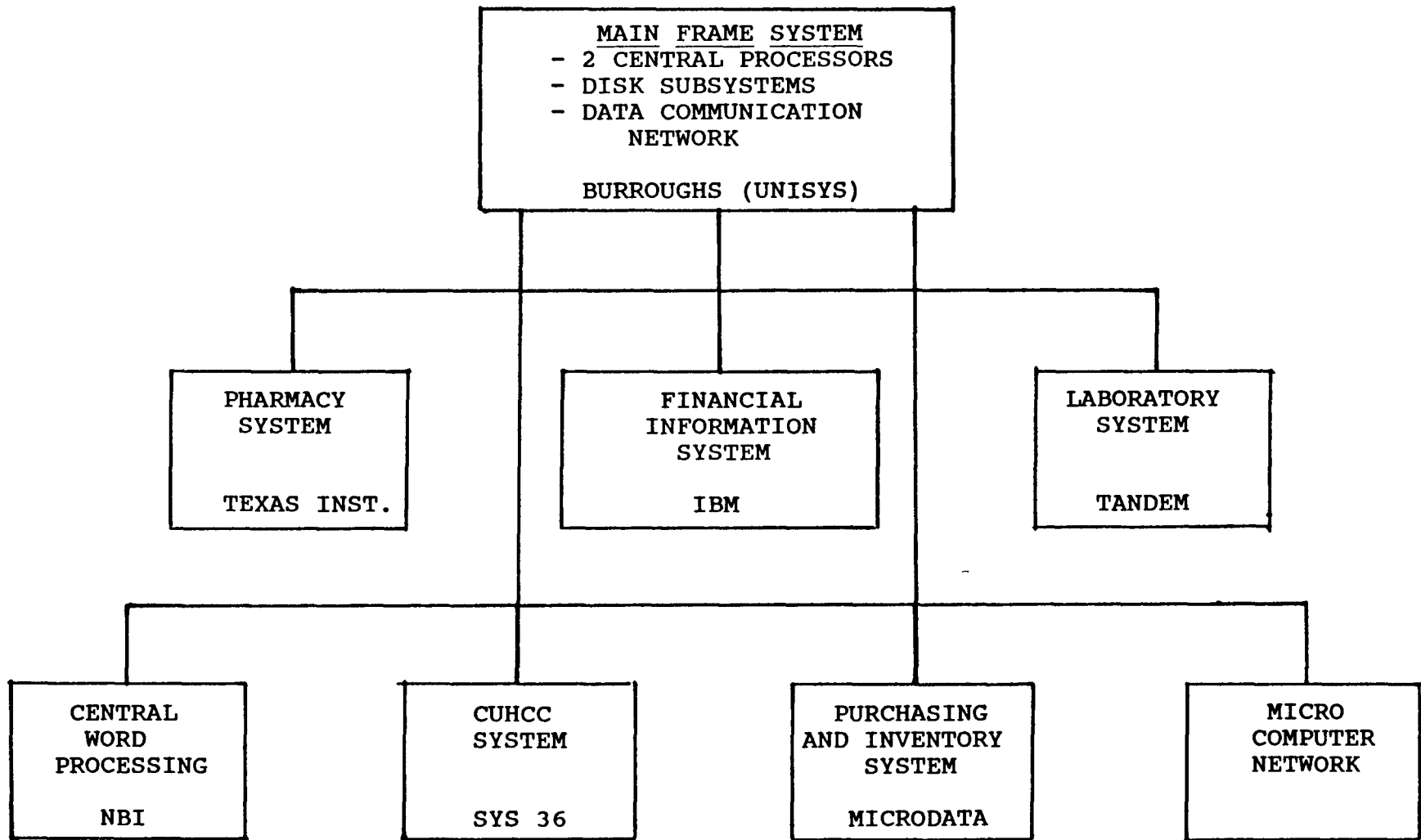
This upgraded IBM system would become the Hospital's mainframe computer system.

2. All Burroughs based mainframe systems would be transferred to the upgraded IBM system during the 2 years following implementation of the PCI/OE system. All Burroughs equipment would be sold during or at the end of the 2 year period.

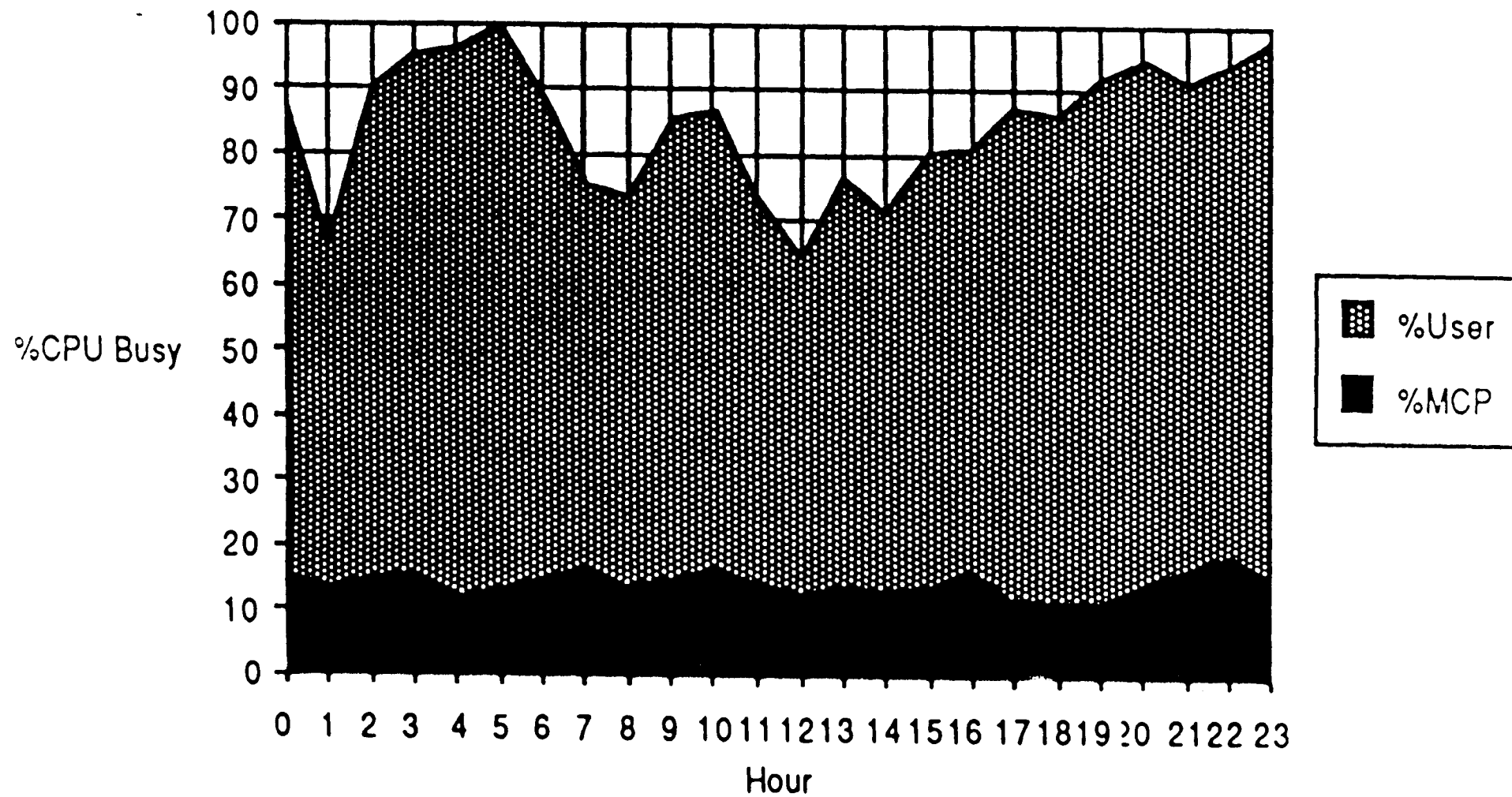
See Attachment E for graphic display of projected systems utilization.

## FINANCING

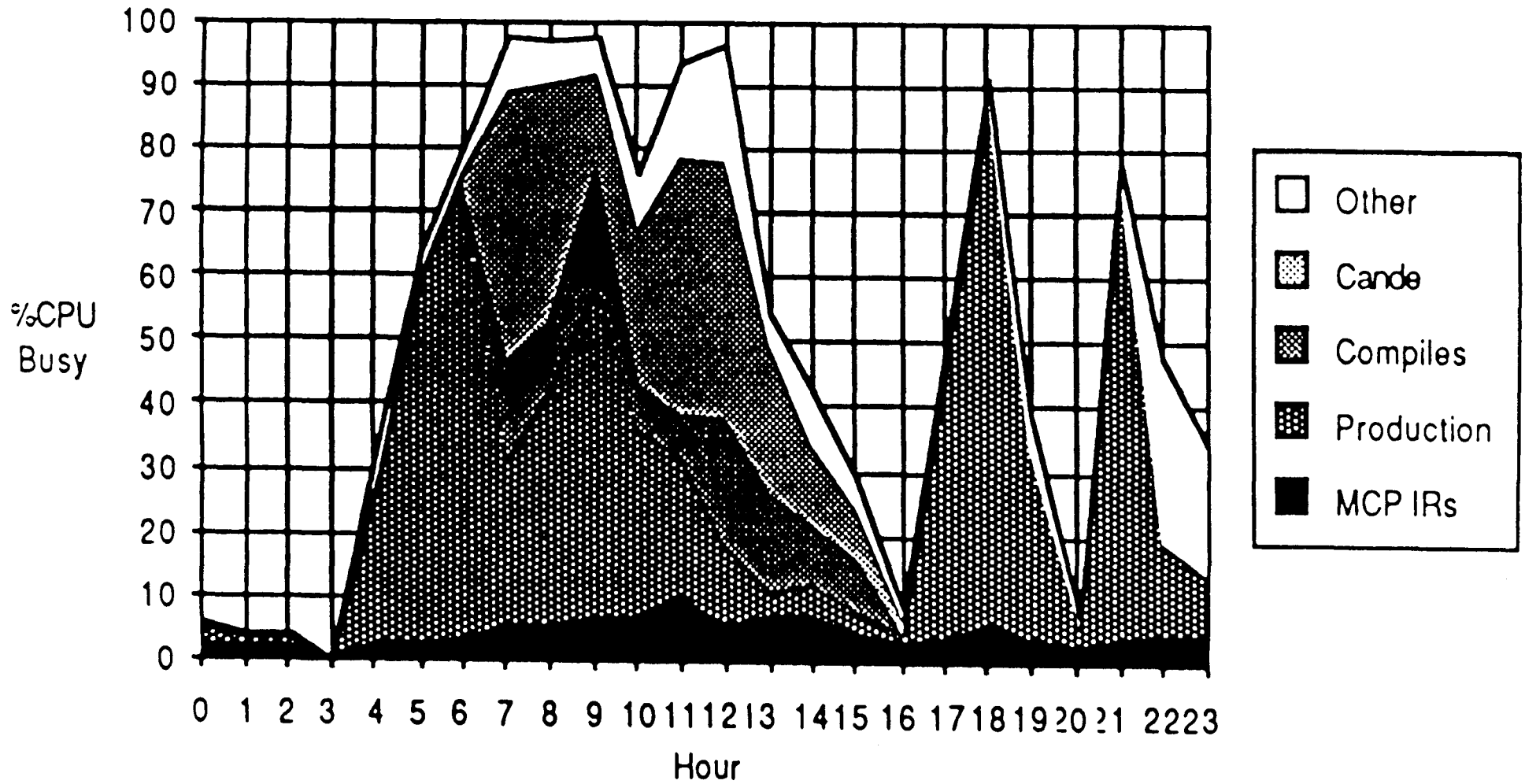
Several financing alternatives are available: lease/purchase through the vendor or a third party, borrowing from the University equipment loan fund, or direct purchase with UMHC reserve funds. The alternative used will be the one which is determined to be the least costly at the time the acquisition contracts are written.



# Production CPU Utilization



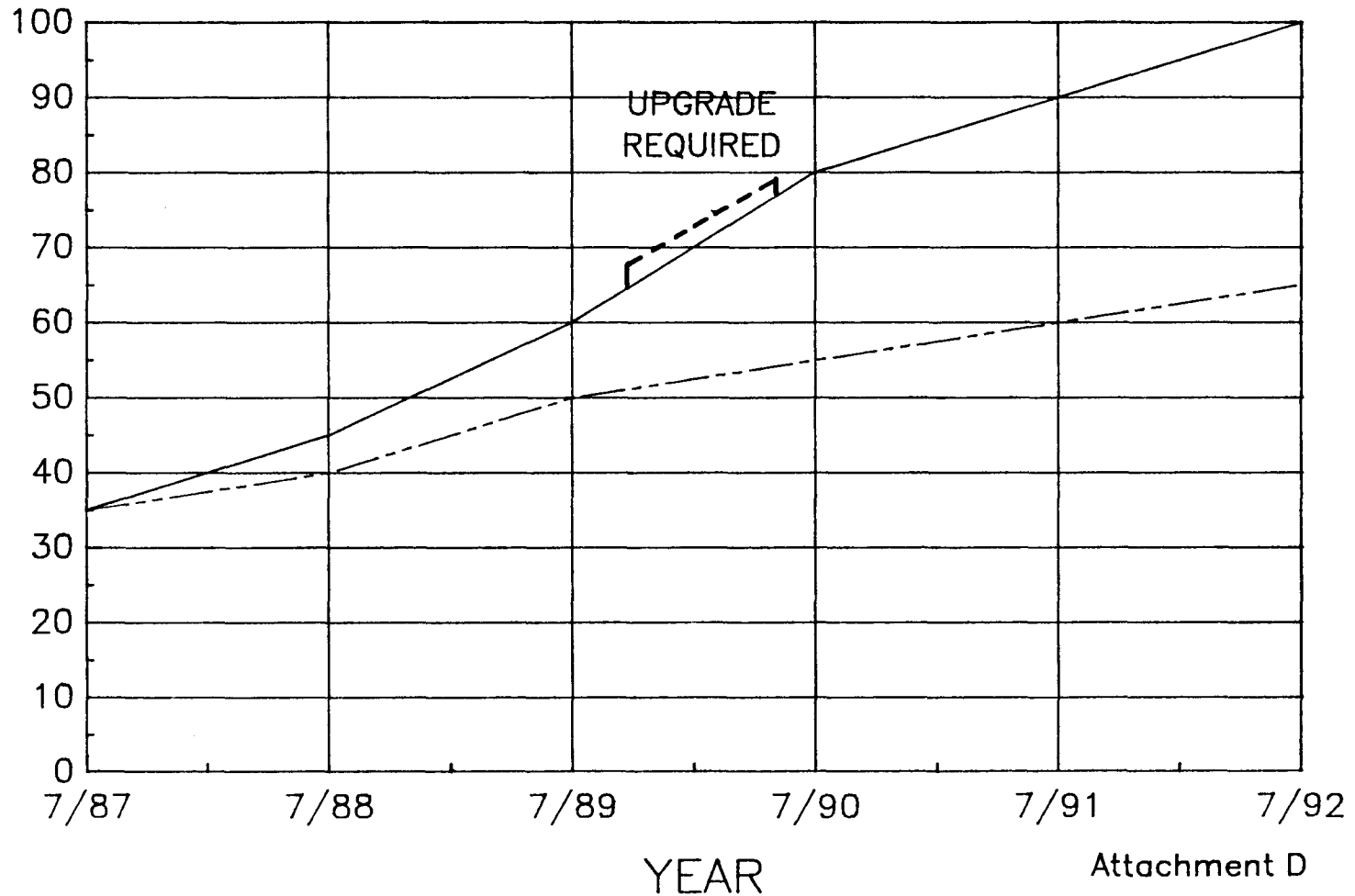
# Development System Processor Utilization



# PROJECTED PROCESSOR UTILIZATION BURROUGHS BASED PCI/OE

BURROUGHS

IBM

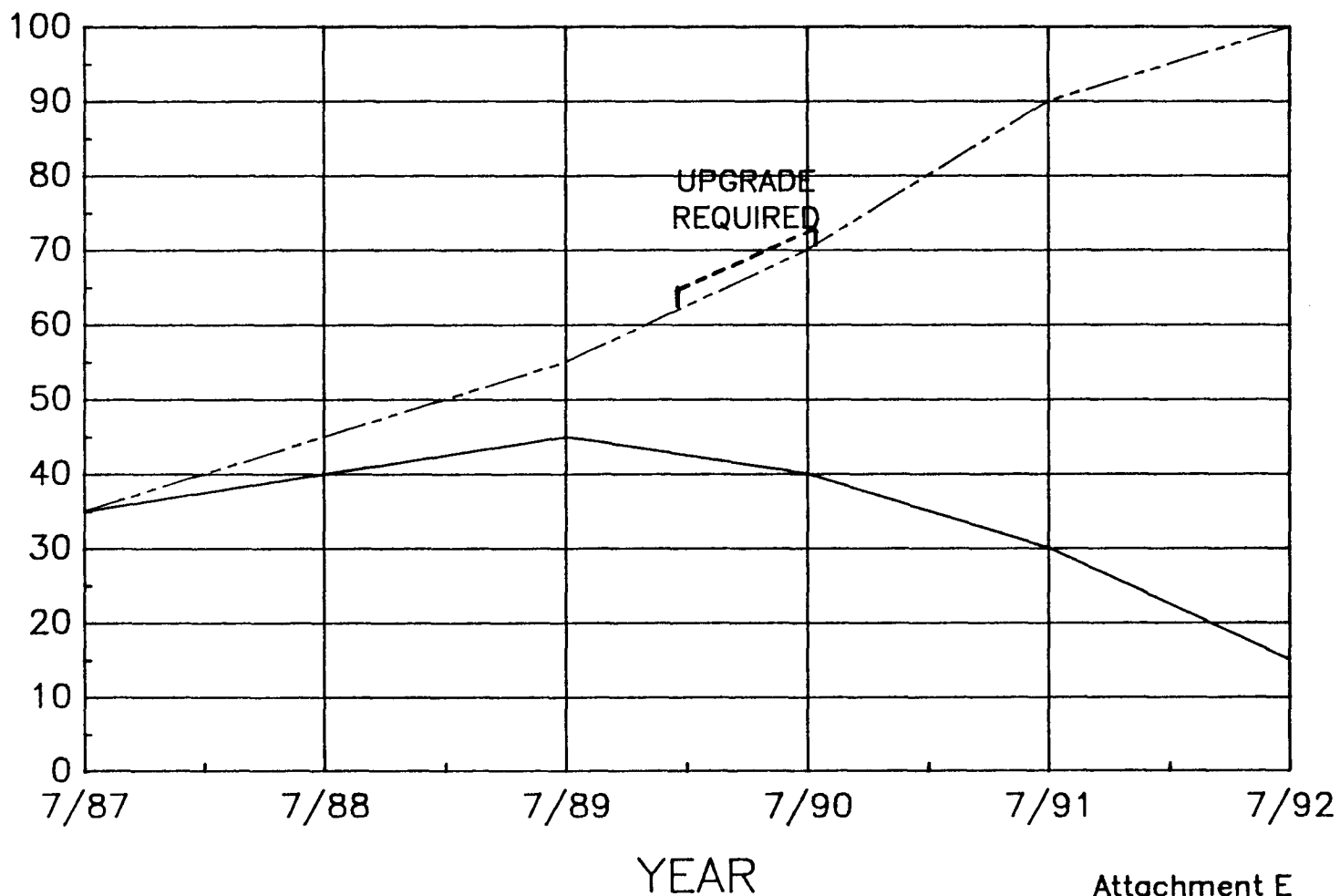


# PROJECTED PROCESSOR UTILIZATION

## IBM BASED PCI/OE

BURROUGHS

IBM





BURROUGHS PRODUCTION  
MAINFRAME REPLACEMENT

Financing Options

	Purchase Option	Self Finance Option	Burroughs Lease Option
	-----	-----	-----
Cash Payments	\$4,314,828	\$4,725,555	\$4,835,556
Present Volume of Cash Payments	4,314,828	4,188,917	4,286,426
Net Present Value of Reimbursement Effect of Depreciation on Higher Base			157,857
	<u>\$4,314,828</u>	<u>\$4,188,917</u>	<u>\$4,128,569</u>
Assumptions:			
Life	36 months	36 months	36 months
Interest Rate	-0-	6%	8%
Salvage Value	\$ 862,966	\$ 862,966	\$ 862,966



UNIVERSITY OF MINNESOTA  
TWIN CITIES

The University of Minnesota Hospital and Clinic  
Harvard Street at East River Road  
Minneapolis, Minnesota 55455

**MEETING OF THE  
BOARD OF GOVERNORS FINANCE COMMITTEE**  
Wednesday, June 24, 1987  
**1:00 P.M.\***  
8-106 University Hospital

**COMMITTEE MEMBERS**

Robert Nickoloff, Chair  
Carol Campbell  
Edward Ciriacy, M.D.  
Clifford Fearing  
Gregory Hart  
William Krivit, M.D.  
Jerry Meilahn  
Barbara O'Grady  
Vic Vikmanis

**A G E N D A**

- |      |  |                      |
|------|--|----------------------|
| I.   | Opening of Meeting, and Approval of Minutes of Finance Committee Meeting held 5/27/87 (Approval) pp. 1-3 | Mr. Robert Nickoloff |
| II.  | May Year-to-Date Financial Statements (Information) pp. 4-12   | Mr. Clifford Fearing |
| III. | 1987-88 Compensation Plan (Endorsement) pp. 13-14  | Mr. Gregory Hart     |
| IV.  | PCN Update (Information)   | Mr. Gregory Hart     |
| V.   | Other Business   |                      |
| VI.  | Adjournment  |                      |

**\* A buffet lunch will be served at 12:30 P.M. in the Board Room.**

**Minutes**  
**Meeting of the**  
**Board of Governors Finance Committee**  
**The University of Minnesota Hospital and Clinic**  
**May 27, 1987**

**MEMBERS** Carol Campbell  
**PRESENT:** Edward Ciriacy, M.D.  
Gregory Hart  
William Krivit, M.D.  
J.E. Meilahn  
Robert Nickoloff  
Barbara O'Grady  
Vic Vikmanis

**MEMBERS** Clifford Fearing  
**ABSENT:**

**STAFF:** Kay Fuecker  
William Herrick  
Nels Larson  
Dan Rode  
Barbara Tebbitt

**CALL TO ORDER:** The meeting of the Finance Committee was called to order by Mr. Robert Nickoloff at 12:10 P.M. in the Board Room (8-106 University Hospital).

**MINUTES:** A change was made to reflect the start of the meeting to be 12:00 Noon rather than 12:00 P.M. A motion was then seconded and passed to approve the minutes of the April 22, 1987 meeting of the Finance Committee as written.

**4/30/87**  
**FINANCIAL**  
**STATEMENTS:** Mr. Nels Larson reported the April admissions totaled 1,635 or 225 above budget. The average length of stay was 7.8 days, while patient days were 1,710 (15%) above budget. The April average daily census was 428, down slightly from the 440 level of February and March. Outpatient clinic visits were 10.2% above budget with the largest increases occurring in Medicine, Dermatology, Surgery, and Urology.

The Hospital shows total revenues over expenses of \$4,243,049 for a favorable variance of \$13,693,107. Patient care charges through April totaled \$197,075,120 (18.9% above budget). Ancillary revenue was 22.2% above budget and reflected the favorable variance in admissions and clinic

visits, and the higher utilization of ancillary services per patient. Operating expenditures through April were 7.0% above budgeted levels and reflects the increase in demand for patient services. The increase in expenditures is primarily in personnel costs, and patient care supplies.

Mr. Larson briefly reviewed the relationship of CUHCC to UMHC. CUHCC is an off-campus UMHC clinic in south Minneapolis. CUHCC's clinic operations are at a break-even point with funding from patient care charges, grant support, and University support. UMHC receives referrals from CUHCC for inpatient care.

Mr. Dan Rode reported that patient account receivables as of April 30, 1987 totaled \$72,534,245 and represented 100.8 days outstanding. This is an overall decrease of 6.2 days as seen primarily in Medicare, Medical Assistance Categories, and in older accounts in general.

**1987-88 HOSPITAL  
PAY PLAN:**

Mr. Greg Hart reported that the University has not made a final decision on its pay plan and union contracts have not yet been signed. The Hospital anticipates approval of the plan in June so increases can be included on the first pay checks in July for morale reasons. The proposed plan includes funds for: 1) 2.5% across the board increase; 2) progression increases; 3) pay equity; and 4) marketplace adjustment increases. The state's plan calls for progression and pay equity funds to come from sources other than specific legislated money for those items.

Marketplace increases will be approximately 4-5% and do not embrace pay equity. The Hospital has recommended a 4.5% increase which is a combination of across the board and progression increases and a merit component. The nurses, Mr. Hart reported, propose a component for intensive care payments and a 15% shift differential for permanent night employees.

Mr. Hart reported the pay plan will be submitted for endorsement at the June meeting.

**PCN UPDATE:**

Mr. Hart reported that the enrollment figures have increased over the past two months. Additional contracts have been added in the East metro area, Park Nicollet declined signing, and the objectives were met in the Twin Cities. PCN presented a proposal to the state to be a provider for

state employees. A decision is expected in July. PCN is interested in purchasing MORE HMO on the Range. This will be discussed in more detail in the coming months.

Mr. Hart reported no additional movement in securing an additional investor. Equicor has shown an interest, but nothing definite has been discussed as yet. The Hospital is pursuing other possibilities and other HMO's in the Twin Cities. Mr. Hart reported a Board meeting will be held on June 10.

**COMPUTER  
UPGRADE:**

Mr. Al Dees briefly reviewed background of the computer system, the utilization levels, and the recommendation for purchase. Mr. Dees noted the compatability between the proposed system and future Patient Care Information/Order Entry System and the Census System. The question of whether to move to an exclusive IBM system in 3-5 years was discussed. The consultants determined our present system would not make another 36 months.

A motion to endorse the purchase of the computer upgrade as proposed was seconded and passed.

**ADJOURNMENT:**

There being no further business, the Finance Committee adjourned at 2:00 P.M.

Respectfully submitted,



Kay F. Fuecker  
Recording Secretary



UNIVERSITY OF MINNESOTA  
TWIN CITIES

University Hospital and Clinic  
420 Delaware Street S.E.  
Minneapolis, Minnesota 55455

June 24, 1987

**TO:** Board of Governors Finance Committee

**FROM:** Clifford P. Fearing  
Senior Associate Director

**SUBJECT:** Report of Operations for the Period  
July 1, 1986 through May 31, 1987

The Hospital's operations through the month of May continued to reflect both inpatient admissions and outpatient visit activity that were above budgeted levels. In addition, we continued to experience ancillary service utilization that was higher than anticipated. To highlight our position:

**Inpatient Census:** For the month of May, inpatient admissions totaled 1,653 or 239 above budgeted admissions of 1,414. Our overall average length of stay for the month was 7.6 days. Patient days for May totaled 13,008 and were 1,644 days above budget. The increase in admission levels was primarily in the areas of Medicine, Pediatrics, and Surgery.

To recap our year-to-date inpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Admissions	16,042	15,510	17,458	1,948	12.6
Avg.Lnth.of Stay	8.3	8.3	8.2	-.1	-1.2
Patient Days	132,707	127,610	141,647	14,037	11.0
Percent Occupancy	66.9	63.5	72.1	8.6	13.5
Avg.Daily Census	396.7	380.9	422.8	41.9	11.0

**Outpatient Census:** Clinic visits for the month of May totaled 20,722 or 822 (4.1%) above budgeted visits of 19,900. The increase in activity was experienced in nearly all clinic areas with the largest increases occurring in Medicine, Family Practice, and Urology.

Report of Operations - May, 1987

Page two

To recap our year-to-date outpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Clinic Visits	203,898	202,725	225,926	23,201	11.4
CUHCC Visits	38,700	34,317	43,420	9,103	26.5
HHA Visits	8,529	13,658	8,401	-5,257	-38.5

**Financial Operations:** The Hospital's Statement of Operations shows total revenues over expense of \$ 2,760,769, a favorable variance of \$ 13,425,342.

Patient care charges through May totaled \$217,529,513 and were 19.2% above budget. Routine revenue was 11.8% above budget and reflected our favorable patient day variance. Ancillary revenue was approximately \$28,531,400 (22.4%) above budget and reflected (1) the favorable variance in both admissions and clinic visits; and (2) the utilization of ancillary services per patient being higher than anticipated. Inpatient ancillary revenue has averaged \$6,720 per admission compared to the budgeted average of \$6,199 per admission. Outpatient revenue per clinic visit has averaged \$170 compared to the budgeted average of \$153.

Operating expenditures through May totaled \$205,917,000 and were approximately \$ 14,456,400 (7.6%) above budgeted levels. The overall unfavorable variance continued to relate to the increase in demand for patient services and was seen primarily in increased personnel costs (salaries and fringe benefits) and patient care supplies (drugs, blood, medical supplies).

**Accounts Receivable:** The balance in patient accounts receivable as of May 31, 1987 totaled \$74,120,799 and represented 103.8 days of revenue outstanding. The overall increase in our patient receivables in May of 3.0 days occurred primarily in the Commercial insurance, Blue Cross, and in older accounts in general.

**Conclusion:** The Hospital's overall operating position continues to be positive and above budgeted levels. Both inpatient and outpatient census levels remain above budget. We continue to monitor our demand for service closely and make those operating changes that are necessary and appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY  
FOR THE PERIOD JULY 1, 1986 TO MAY 31, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Patient Care Charges	\$182,449,713	\$217,529,513	\$35,079,800	19.2%
Deductions from Charges	-28,416,070	-35,092,654	-6,676,584	-23.5%
Other Operating Revenue	4,896,912	5,074,708	177,796	3.6%
Total Operating Revenue	158,930,555	187,511,567	28,581,012	18.0%
Total Expenditures	-191,460,645	-205,917,024	-14,456,379	-7.6%
Net Operating Revenue	-32,530,090	-18,405,457	14,124,633	
Non-Operating Revenue and Expenses	21,865,517	21,166,226	-699,291	-3.2%
Revenue Over Expense	\$-10,664,573	\$2,760,769	\$13,425,342	(1)
	=====	=====	=====	

(1) Variance equals 7.4 % of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Admissions	15,510	17,458	1,948	12.6%
Patient Days	127,610	141,647	14,037	11.0%
Average Daily Census	380.9	422.8	41.9	11.0%
Average Length of Stay	8.3	8.2	-0.1	-1.2%
Percentage Occupancy	63.5%	72.1%	8.6%	13.5%
Outpatient Clinic Visits	202,725	225,926	23,201	11.4%



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO MAY 31, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Gross Patient Charges	\$182,449,713	\$217,529,513	\$35,079,800	19.2%
Deductions from Charges	28,416,070	35,092,654	6,676,584	23.5%
Other Operating Revenue	4,896,912	5,074,708	177,796	3.6%
<b>Total Revenue from Operations</b>	<b>\$158,930,555</b>	<b>\$187,511,567</b>	<b>\$28,581,012</b>	<b>18.0%</b>
<b>Expenditures</b>				
Salaries	\$80,792,440	\$88,209,255	\$7,416,815	9.2%
Fringe Benefits	15,730,742	16,719,339	988,597	6.3
Contract Compensation	8,038,613	8,646,018	607,405	7.6
Medical Supplies, Drugs, Blood	27,413,074	32,178,679	4,765,605	17.4
Campus Administration Expense	5,711,059	5,711,059	0	
Depreciation and Amortization	12,944,218	15,002,467	2,058,249	15.9
General Supplies & Expense	40,830,499	39,450,207	-1,380,292	-3.4
<b>Total Expenditures</b>	<b>\$191,460,645</b>	<b>\$205,917,024</b>	<b>\$14,456,379</b>	<b>7.6%</b>
<b>Net Revenue from Operations</b>	<b>\$-32,530,090</b>	<b>\$-18,405,457</b>	<b>\$14,124,633</b>	
<b>Non-Operating Revenues and Expenses</b>				
Appropriations	\$13,025,936	\$13,287,365	\$261,429	2.0%
Interest Income on Reserves	6,601,417	5,773,358	-828,059	-12.5
Shared Services	334,359	426,001	91,642	27.4
Investment Income on Trustee Held Assets	1,903,805	1,679,502	-224,303	-11.8
<b>Total Non-Operating Revenues and Expenses</b>	<b>\$21,865,517</b>	<b>\$21,166,226</b>	<b>\$-699,291</b>	<b>-3.2%</b>
<b>Revenue Over / -Under Expenses</b>	<b>\$-10,664,573</b>	<b>\$2,760,769</b>	<b>\$13,425,342</b>	<b>(1)</b>

(1) Variance equals 7.4% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO MAY 31, 1987

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	<b>Patient Care Charges</b>				
\$60,169,700	Routine	\$55,319,861	\$61,868,256	\$6,548,395	11.8%
139,094,000	Ancillary	127,129,852	155,661,257	28,531,405	22.4
\$199,263,700	<b>Gross Charges</b>	\$182,449,713	\$217,529,513	\$35,079,800	19.2%
	<b>Deductions from Charges</b>				
\$16,821,600	Third Party Contractual Adjustments	\$15,394,289	\$18,633,696	\$3,239,407	21.0%
8,124,800	Billing Adjustments & Employee Benefits	7,444,924	8,552,403	1,107,479	14.9
420,000	Charitable Care	384,561	638,625	254,064	66.1
3,026,700	Other Contractual Adjustments	2,771,306	4,382,110	1,610,804	58.1
2,644,100	Provisions for Uncollectables	2,420,990	2,885,820	464,830	19.2
\$31,037,200	<b>Total Deductions</b>	\$28,416,070	\$35,092,654	\$6,676,584	23.5%
	<b>Other Operating Revenue</b>				
\$1,165,100	Food Services	\$1,069,342	\$1,264,657	\$195,315	18.3%
452,400	Parking Services	407,607	177,876	-229,731	-56.4
99,900	Department Non-Patient	91,692	140,814	49,122	53.6
1,023,100	CUHCC Grants	939,005	909,817	-29,188	-3.1
1,486,100	Reference Lab Income	1,363,956	1,349,489	-14,467	-1.1
1,119,800	Pro Fees - Net Revenue	1,025,310	1,201,226	175,916	17.2
0	Donations to Operations from Restricted Funds	0	30,829	30,829	
\$5,346,400	<b>Total Other Revenue</b>	\$4,896,912	\$5,074,708	\$177,796	3.6%
\$173,572,900	<b>Total Revenue from Operations</b>	\$158,930,555	\$187,511,567	\$28,581,012	18.0%
	<b>Expenditures</b>				
\$87,879,400	Salaries	\$80,792,440	\$88,209,255	\$7,416,815	9.2%
17,115,800	Fringe Benefits	15,730,742	16,719,339	988,597	6.3
1,875,700	Academic Contracts	1,719,388	1,712,505	-6,883	-0.4
4,685,500	Resident Contracts	4,295,038	4,295,038	0	
2,208,200	Physician Compensation	2,024,187	2,325,551	301,364	14.9
\$113,764,600	<b>Total Salary, F.B. &amp; Fees</b>	\$104,561,795	\$113,261,688	\$8,699,893	8.3%
2,079,600	Laundry & Linen	1,908,437	1,893,352	-15,085	-0.8%
1,392,200	Raw Food	1,279,011	1,485,163	206,152	16.1
13,975,900	Drugs	12,773,981	14,494,784	1,720,803	13.5
4,880,400	Blood & Blood Derivatives	4,460,691	5,225,593	764,902	17.1
11,136,100	Medical Supplies	10,178,402	12,458,302	2,279,900	22.4
3,055,900	Utilities	2,841,863	3,814,146	972,283	34.2
2,832,400	Insurance	2,513,035	2,019,399	-493,636	-19.6
2,335,200	Rental	2,146,600	2,257,882	111,282	5.2
3,349,300	Maintenance & Repair	3,074,015	3,183,292	109,277	3.6
1,312,800	Communications	1,204,897	1,354,058	149,161	12.4
0	Net Loss on Disposal of Assets	0	87,970	87,970	
6,222,500	Campus Administration Expense	5,711,059	5,711,059	0	
14,103,400	Depreciation and Amortization	12,944,218	15,002,467	2,058,249	15.9
14,001,200	Interest	12,850,418	9,140,891	-3,709,527	-28.9
14,177,500	General Supplies & Expense	13,012,223	14,526,978	1,514,755	11.6
\$208,619,000	<b>Total Expenditures</b>	\$191,460,645	\$205,917,024	\$14,456,379	7.6%
\$-35,046,100	<b>Net Revenue from Operations</b>	\$-32,530,090	\$-18,405,457	\$14,124,633	
	<b>Non-Operating Revenue and Expenses</b>				
\$13,638,900	Appropriations & Support	\$12,517,891	\$12,720,824	\$202,933	1.6%
511,500	Accrued Interest on Appropriation	508,045	566,541	58,496	11.5
7,187,600	Interest Income on Reserves	6,601,417	5,773,358	-828,059	-12.5
364,300	Shared Services	334,359	426,001	91,642	27.4
2,074,300	Investment Income Held by Trustee	1,903,805	1,679,502	-224,303	-11.8
\$23,776,600	<b>Total Non-Operating Revenue and Expenses</b>	\$21,865,517	\$21,166,226	\$-699,291	-3.2%
\$-11,269,500	<b>Revenue Over/-Under Expense</b>	\$-10,664,573	\$2,760,769	\$13,425,342	

(1) Variance equals 7.4% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1986 TO MAY 31, 1987

Source of Funds

Beginning Operating Cash Balance		\$9,475
Net Income from Operations	-18,405,457	
Non-Operating Revenue	21,166,226	
		-----
Excess of Revenue over Expense		2,760,769
Items not Requiring the Outlay of Cash:		
Depreciation		15,002,467
University Support: G & A		5,711,059
University Support: KE Utilities		144,446
Decrease in Other Receivables		620,448
Decrease in Prepaid Expenses		777,523
Deferred Third Party Reimbursement		658,471
Renewal Project Interest Expense		8,193,025
Increase in Accrued Expenses		2,565,488
		-----
Total Funds Provided from Operations		\$36,443,171

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$5,201,926	
Decrease in Capital Encumbrances	333,662	
Total Transfers to Plant from Operations		\$5,535,588
Increase in Accounts Receivable		11,494,533
Decrease in Inventories		118,011
Third Party Liabilities Transfer		3,010,608
Investment Income - Trustee Held Assets		1,679,502
Transfer to Reserves - Bond Retirement		2,330,835
Transfer to Reserves - Bond Interest Payable		6,967,535
Miscellaneous Sources		11,815
		-----
Total Funds Applied		\$31,148,427

Operating Cash Made Available from Operations \$5,294,744  
=====

(1) Total Operating Cash Available of \$5,294,744; plus Transfers to Plant of \$5,535,588; plus Transfers to Reserves for debt retirement and interest payable of \$9,298,370 equals Cash Generated from Operations of \$14,833,958.

Current Cash Summary

Operating Cash	\$5,294,744
Reserve Cash for Liability to Third Party Payors	13,152,594
Unrealized Appropriation Cash	1,139,176
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Interest Payment	3,275,084
	-----
	25,361,598
Less Interest Income on Reserves	-6,339,899
	-----
Total Current Cash	\$19,021,699 =====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

MAY 31, 1987 AND JUNE 30, 1986

ASSETS

LIABILITIES AND FUND BALANCES

	5/31/87	6/30/86		5/31/87	6/30/86
	-----	-----		-----	-----
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Operating Cash	\$-1,045,155	\$9,475	Accounts Payable	\$2,097,948	\$3,969,645
Reserve Cash- Third Party Payable	13,152,594	10,141,986	Payable to Third Party Contr. Payors	13,152,594	10,141,986
Unrealized Appropriation Cash	1,139,176	0	Salaries, Wages and Payroll Taxes	6,443,110	5,405,654
Reserve Cash- Short Term Debt	2,500,000	2,500,000	Accrued Vacation	6,699,353	5,957,248
Reserve Cash-Bond Interest Payable	3,275,084	0	Insurance Premiums Payable	260,920	0
Accounts Receivable			Accrued Professional Fees and		
Patient Receivables	74,120,799	55,896,815	Physician Compensation	1,725,057	2,468,184
Other Receivables	1,252,930	1,813,378	Contracts Payable	282,628	2,312,557
	-----	-----	Interest Payable	3,325,902	2,407,435
	75,373,729	57,710,193	Current Portion of Long-Term Debt	3,762,531	6,155,057
Less Allowances for Losses				-----	-----
in Collection	-5,536,241	-4,710,000			
Less Allowances for Discounts					
to Third Party Payors	-15,525,401	-9,622,191			
	-----	-----			
	54,312,087	43,378,002			
Trustee Held Assets	198,677	6,549,469			
Inventories of Drugs & Supplies	4,926,647	4,670,632			
Prepaid Expenses	259,867	1,037,390			
Silver Flake	0	138,004			
	-----	-----			
<b>TOTAL CURRENT ASSETS</b>	<b>\$78,718,977</b>	<b>\$68,424,958</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$37,750,043</b>	<b>\$38,817,766</b>
<b>BOARD DESIGNATED ASSETS:</b>					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$57,215,830	\$60,064,655			
Accrued Interest	1,433,777	749,059			
	-----	-----			
	58,649,607	60,813,714			
Cash & Investments Assigned					
to Construction Projects	8,239,722	5,059,360			
	-----	-----			
<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>\$66,889,329</b>	<b>\$65,873,074</b>	<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$185,524,503</b>	<b>\$185,747,039</b>
<b>DEFERRED THIRD PARTY REIMBURSEMENT</b>	<b>\$10,232,100</b>	<b>\$10,890,571</b>			
<b>OTHER ASSETS</b>	<b>591,161</b>	<b>591,161</b>			
<b>LAND, BUILDINGS &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$176,093,830	\$174,543,682			
Equipment	69,478,541	64,418,269			
	-----	-----			
	245,572,371	238,961,951			
Less Accumulated Depreciation	-68,440,647	-55,384,931	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$174,336,821</b>	<b>\$164,581,371</b>
	-----	-----		-----	-----
Construction in Progress	177,131,724	183,577,020			
	-----	-----			
	10,219,547	7,458,010			
	-----	-----			
<b>TOTAL LAND, BUILDINGS &amp; EQUIPMENT</b>	<b>\$187,351,271</b>	<b>\$191,035,030</b>			
<b>TRUSTEE HELD ASSETS</b>	<b>\$51,791,559</b>	<b>\$50,143,723</b>			
<b>DEFERRED DEBT EXPENSE</b>	<b>\$2,036,970</b>	<b>\$2,187,659</b>			
	-----	-----			
	\$397,611,367	\$389,146,176		\$397,611,367	\$389,146,176
	=====	=====		=====	=====
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
			Fund Balances		
			Endowment Funds	\$1,813,779	\$1,656,445
			Gift Funds	2,960,897	2,586,802
				-----	-----
Cash and Investments	\$4,774,676	\$4,243,247		\$4,774,676	\$4,243,247
	-----	-----		-----	-----

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE PERIOD JULY 1, 1986 TO MAY 31, 1987

	OPERATING FUND	BOARD DESIGNATED FUND	PLANT FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>				
Beginning Balance	\$26,719,221	\$60,813,714	\$77,048,436	\$164,581,371
Net Income				
Excess of Revenue over Expense	7,250,888			
Interest Income on Reserves		5,773,358		
Accrued Interest on Appropriations		566,541		
Depreciation Expense			-15,002,467	
Loss on Disposal of Assets			-87,970	
Interest Expense			2,580,917	
Interest Income on Trustee Held Fund			1,679,502	
Total Income				2,760,769
Less Expense				
Unrealized Appropriation Revenue	1,139,176			1,139,176
University Support: G & A	5,711,059			5,711,059
K/E Utilities	144,446			144,446
<b>Transfers Between Funds</b>				
Major Building Projects- Hospital Only	-37,896	-1,888,345	1,926,241	
Capital Expenditures	-5,041,113	-311,452	5,352,565	
Capital Encumbrance Change	-333,662		333,662	
Loan To Ortho Surgery	60,000	-630,000	570,000	
IV Pump Leasing	-36,000		36,000	
Major Equipment Purchases	-190,168	-928,041	1,118,209	
CT Scanner	-858,575	858,575		
Transfer to Trustee- Interest Payment	9,446,801	-9,158,029	-288,772	
Transfer to Trustee- Principal Payment		-2,470,000	2,470,000	
Transfer to Reserves- Debt Sinking Fund	-2,330,835	2,330,835		
Transfer to Reserves- Bond Interest	-3,692,451	3,692,451		
Ending Balance	\$37,950,891	\$58,649,607	\$77,736,323	\$174,336,821

	Gift	Endowment	Total
<b>RESTRICTED FUNDS</b>			
Beginning Balance	\$2,586,802	\$1,729,398	\$4,316,200
Income	374,095	84,381	458,476
Ending Balance	\$2,960,897	\$1,813,779	\$4,774,676

ACCOUNTS RECEIVABLE

MAY 31, 1987

Category	Amount	+ or (-) Prev Mo.	% Change	+ or (-) 6/30/86	% Change	Days
Total	73,990,994 <sup>a</sup>	\$1,588,023	2.19%	\$18,226,775	32.69%	103.81
Inhouse	9,426,899	(1,443,307)	(13.27)%	1,973,417	26.48%	13.23
DSNFB <sup>b</sup>	10,621,313	(175,285)	(1.62)%	1,012,365	10.54%	14.90
	2,053,476	- four day inpatient hold (down 705,874)				
	6,193,889	- medical records hold (up 540,838)				
	1,427,852	- outpatient billing hold (down 279,834)				
	946,096	- misc. billing hold (up 448,298)				
Coll- ections	5,429,392	168,547	3.20%	1,255,221	30.07%	7.62
Follow- up	4,948,698	(132,364)	(2.61)%	(325,651)	(6.17)%	6.94
Net DAR	43,564,642	3,170,432	7.85%	14,311,423	48.92%	61.12

a. These figures are gross amounts or days and do not reflect contractual allowances or discounts. (ie. Net DAR after adjustment would be approximately \$34,851,714 or 48.89 days).

b. Discharges Not Final-Billed

Significant Changes

- The increase of 2.98 was basically in the Net DAR area as a result of a holiday beginning at the last week of the month thus lowering the inhouse and DSNFB categories. Most of the increase was in the zero to thirty day range however a significant increase in the Blue Cross PIP deficit accounts for over half of the DAR increase, this amount has been promised in June by BCBSM.
- Significant increase beyond the BCBSM PIP (\$1.6M) include industrial compensation (\$320T); Medicare over 65 (\$490T), which is a PIP problem; HMO's (\$504T) which has been an ongoing problem given that we have several large accounts and have not been able to negotiate an advance; Commercial Insurance (\$1.5M), which have several new and very large accounts; V.A. Hospital (\$453T) which has been holding up payment pending a new contract; our special transplant accounts (\$380T), a large NIH account (\$102T) and GAMC (\$166T).
- Decreases of significance included our agency pending category (\$485T); The auditing account (\$103T); Medicare under 64 (\$783T); Out-of-state Medicaid (\$348T); Out-of-state Blue Cross (\$169T); Minnesota MA (\$110); and CHAMPUS (\$97T).



UNIVERSITY OF MINNESOTA  
TWIN CITIES

The University of Minnesota Hospital and Clinic  
Harvard Street at East River Road  
Minneapolis, Minnesota 55455

June 9, 1987

TO: Members, Finance Committee

FROM: Greg Hart  
Interim Hospital Director

*Greg Hart  
CH*

SUBJECT: 1987-88 Compensation Plan

The Hospital's Personnel Policies and Procedures require that the Board of Governors approve the employee compensation plan on an annual basis. We have the following recommendations at this time regarding the 1987-88 compensation plan for **non-student, non-union represented employees in Hospital dominated classifications:**

- A. Increase salaries and salary ranges 2%, effective July 1, 1987.
- B. Defer implementation of any additional across-the board increase and defer implementation of performance based in-range increases for eligible employees until final information regarding State of Minnesota and University pay plans becomes available.
- C. Implement the comparable worth increases scheduled for year three of the previously approved four-year plan, effective July 1, 1987.
- D. Continue in-range progression (step) increases based on accumulated hours worked for employees in general staff nurse, pharmacist, radiology technologist and nurse anesthetist classifications.
- E. Implement salary and salary range adjustments for employees in the laboratory medical technologist classification series required to match current community market levels.

As in the previous two years, we believe it is important from a recruiting and retention perspective to implement at least some part of the annual compensation program on July 1 for employees in non-student, non-union represented Hospital dominated classifications. Of particular concern is maintenance of salary comparability for general staff nurses with the salary levels negotiated by the Minnesota Nurses Association (MNA) and Health Employers Incorporated (HEI) representing a number of local hospitals. Implementation of recommendations A and C will match the 3% increase negotiated and implemented on June 1, 1987.

We also believe that the amount of the total increase in compensation for this group of employees should not be significantly different from that negotiated by the State or the University for their represented employees. Therefore, recommendation B is to defer a decision regarding allocation of any additional

monies budgeted for compensation plan changes until pay plans for State and other University units are finalized. We will bring recommendations regarding additional pay plan changes which appear appropriate to the Board at that time.

UMHC's comparable worth program, including phased implementation over four years, was approved by the Board of Governors in 1985. In accord with this action, recommendation C is to implement the changes scheduled for year three for non-student, non-union represented employees in hospital dominated classifications. This recommendation will cost approximately \$496,000. The University has indicated that it will commit \$800,000 for pay equity adjustments for non-hospital employees during 1987-88.

During the past several years, UMHC has implemented in-range progression (or "step") increase plans for employees in the classifications listed in recommendation D. The community comparability pressures which lead to our adoption of these anniversary-based plans remain. Therefore, in D we are recommending their continuation with an approximate cost of \$668,600.

A survey of salary levels for employees in the medical technologist classification series indicates that UMHC's salaries are more than 9% below the average of salaries at other Twin Cities hospitals. Therefore, to avert a recruiting and retention problem which is beginning to emerge, recommendation E is to adjust salaries and salary ranges for employees in this series in accord with current community averages. The total annual cost for these changes will be \$648,000, well within the \$725,000 budgeted.

We will be happy to answer questions you may have during the June meetings.

<personnel>8788payplan.bd.1